

SENATOR JOHN TOWER'S

ALTERNATE DEFENSE BUDGET
PROPOSALS FOR FY 1981-83

DEFENSE GOALS

Mr. BELLMON, Mr. President, today the Senate Budget Committee began its markup of the fiscal year 1981 budget. While the goal of a balanced budget will be my highest priority, I am also determined that the Budget Committee must establish a target for the fiscal year 1981 defense budget which will provide sufficient military capability to support U.S. defense and foreign policy objectives. I have introduced Senate Resolution 299 which proposes a more vigorous Senate forum for determining U.S. national security goals.

Defense will be a major issue during the fiscal year 1981 budget markup. It is regrettable, in my opinion, that the Budget Committee did not receive a March 15 report from the Armed Services Committee outlining that committee's views on the adequacy of the President's defense request. Such advice would have been very useful.

While the Armed Services Committee did not comment on the President's defense budget, Senator Tower, the ranking member of the Armed Services Committee, has prepared his own assessment of the defense budget and sent a letter outlining three alternatives for increasing the defense budget.

Mr. President, the Senate Budget Committee must send a balanced budget to the Senate floor. However, it is equally important that we reverse the stagnation that has characterized our defense efforts in recent years. I note with some concern that, in constant fiscal year 1981 dollars, the fiscal year 1981 defense budget is essentially no larger than the fiscal year 1960 defense budget. Needless to say, the threat to our security has grown markedly over those 20 years.

I cannot say now what defense spending level will be feasible within a balanced budget. However, I believe the Budget Committee will discuss defense as a major budget priority, and Senator Tower's views will certainly be an integral part of these discussions.

By providing a highly detailed package of alternatives for the defense budget, Senator Tower has performed a great

service to the Senate Budget Committee and I thank him on behalf of the members of the Budget Committee.

Mr. President, I ask unanimous consent that the Tower letter, on accompanying table, and a two-page summary be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

COMMITTEE ON ARMED SERVICES,
Washington, D.C., March 25, 1980.

HON. HENRY BELLMON,
Committee on the Budget,
U.S. Senate,
Washington, D.C.

DEAR HENRY: This is to present to the Committee on the Budget my views on the national defense function (050) of the federal budget for fiscal years 1980 through 1983.

It is my judgment that the defense budget at present, viewed in conjunction with realistic economic assumptions for the next fiscal year, is not adequate to carry out existing commitments of the United States to its allies or to achieve the level of military readiness and operations essential to deterring further Soviet aggression.

The analysis to support this judgment has evolved out of a rigorous review over the last few months to define the leanest military posture that would enable us to fulfill our overseas commitments. Your leadership in the Senate in calling for a definition of these foreign policy commitments in order to be able to identify the military resources required to carry them out has been a guide to us in conducting this critical review.

The leading conclusion is that the President's fiscal year 1981 budget and five-year plan assure the continuation of alarming deficiencies in our armed forces that will not be addressed—let alone corrected—unless substantial additional funds are provided.

Among these deficiencies are: a program of strategic force modernization which does not, in a timely fashion, offset the growing, if not already present, vulnerability of our land-based ICBM force and the concomitant impact on our ability to avoid coercion during crises; a shipbuilding program which does not allow us to attain the capability to present a credible naval presence in the Indian Ocean without seriously degrading our vital support to NATO and Asian allies; a reduced aircraft procurement program, especially tactical aircraft, which does not even provide sufficient procurement to allow a one-for-one replacement of the aircraft lost through attrition and retirement, much less procure aircraft at the most economical rates of production; and a wholly inadequate program to deal with the problem of an unacceptably low retention rate of the highly trained personnel needed to maintain and lead our modern Army, Navy, Air Force, and Marine Corps.

These deficiencies, if not addressed, will prolong and exacerbate weaknesses in our defense posture which are the result of the low priority defense has been accorded in the United States over the past quarter century. This relative decline in defense spending as a percentage of federal outlays was brought into focus by Secretary Brown who, during his presentation to the Committee on Armed Services on December 13, 1979, stated:

"In the twenty-five years since 1955, federal non-defense spending has more than tripled, while defense spending today is still about what it was then. Defense spending then took about half the federal budget; today, it takes in less than a quarter. There is no need for us to return to the balance of 1955, but we must begin to give greater pri-

ority to defense. After all it said and done, our greatest social need is still to assure peace and the nation's security."

The inevitable shift in the military balance in favor of the Soviet Union is starkly portrayed by a comparison of defense spending between the two countries. The following is extracted from a recent study prepared for the Air Force by the RAND Corporation:

"The magnitude of the disparity in many of the mission areas is impressively large: a three-to-one advantage to the Soviet Union in strategic forces spending over the past half decade; about 75 percent more than U.S. spending for general purpose forces over the same period; and near parity with the United States in support forces spending. . . . In military investment—procurement and construction—the Soviet margin has been 50–80 percent above the United States over the last half decade. The aggregate margin since 1973 in this category is about \$100 billion."

To begin to address these deficiencies, I have set out below three alternatives which provide incremental improvements in programs that are all justifiable in terms of past and current Service or OSD recommendations. These will provide the Committee with valid choices as a basis for arriving at responsible budget ceilings for FY 1980–1983.

These alternatives are grounded in the belief that the American people must be told in clear and unambiguous language that current national policy cannot be supported unless substantial increases in the defense budget are appropriated. If economic circumstances dictate that these increases are to be deferred or put off altogether, then the leaders of this country have the responsibility to state in clear fashion what commitments we are no longer going to keep.

I also will recommend what I consider to be the preferred alternative to sustain our national security. However, before presenting these alternatives, I must address the economic adjustments that are necessary to make the President's request for national security programs "whole".

The FY 1981 defense budget presented to the Congress was portrayed as containing a real increase in total obligational authority of nearly 5.5 percent after inflation. Outlays for that same fiscal year were predicted to increase nearly 3.3 percent after inflation above the estimate for 1980. Over the next five years, the defense program increases would purportedly equate to five annual increases averaging about 4.5 percent above inflation. Carrying out these increases fully and completely was characterized by Secretary Brown as a matter of fundamental importance to the security of the nation.

Real growth expressed in percentage increases is a misleading measure by which to judge improvements in our national security. A more realistic approach is to define program requirements and accept the financial imperatives as they are. However, commitments to percentages, once made, should be fulfilled.

The President, in December 1979, embraced a 5.5 percent growth figure for FY 1981, but three months later, he has fallen back to a lesser commitment of 3 percent. Increases in inflation cannot be the sole reason for President Carter's retreat since, when he committed to 5.5 percent, he accompanied that promise with a pledge that ". . . (i) if inflation exceeds the projected rates, I intend to adjust the defense budget as needed. . . ."

Congressional and allied interest in percentages of real growth is very great. My own estimate of percentage growth in the defense budget in FY 1981 over the fiscal year 1980 budget reflects not 5 percent or even as much as 3 percent real growth in

budget authority, but the more likely result is about 1 percent growth or less, unless "fact-of-life" increases are fully funded. Moreover, the 3 percent goal for FY 1980 will also likely be less than 1 percent.

Stated another way, if it is decided not to increase the Carter defense budget presented to us in January of this year, this would mean accepting at least a \$6.4 billion cut in defense due to unfunded "fact-of-life" increases other than manpower. For example, the underestimate of fuel costs for FY 1981 was 100 percent, i.e., projected to be about \$4.3 billion but, in fact, will be approximately \$8.6 billion.

Secretary Brown specifically stated to the Committee on Armed Services on December 13, 1979, that "... should our assumptions as to future inflation, on which the program is based, later prove to have been underestimated, the Administration will take appropriate action to preserve the integrity of this program. President Carter the previous day, as cited above, made a similar commitment.

It is now clear to all that the FY 1981 Department of Defense programs cannot be carried out with the funds requested. Based on the Administration's assumed inflation rates for FY 1979 to FY 1980 and from FY 1980 to FY 1981, at the time of the budget submission, the DOD request of \$168.7 billion in total obligational authority corresponded to \$135.3 billion in FY 1979 dollars. It is now evident that the inflation rates were not realistic. With the Congressional Budget Office revised inflation estimates for FY 1979 to FY 1980 and from FY 1980 to FY 1981, the DOD FY 1981 program (requiring \$155.3 billion in FY 1979 dollars) will require \$160.5 billion in total obligational authority, an increase of \$1.5 billion to provide for the programs requested.

In addition, as noted by DOD, fuel cost growth was not accurately reflected in the FY 1981 request. The Congressional Budget Office indicates unfunded fuel cost growth, above that included in their revised inflation estimates, amounts to \$3.8 billion.

Therefore, simply to restore the FY 1981 request to the program promised by the Administration would require a minimum of an additional \$5.1 billion for fuel and inflation alone.

Further, more, the FY 1981 request assumes that 40 percent of the allotted pay raise, or \$1.3 billion, will be absorbed through efficiencies or, more likely, at the expense of other programs.

To make "whole" the FY 1981 DOD budget request without requiring any pay absorption will require \$6.4 billion, not including manpower initiatives.

Similarly, to carry out the FY 1980 program will require an additional \$2.5 billion to account for unprogrammed fuel cost growth. Moreover, the increased tempo of operations in the Indian Ocean, especially naval operations, will require \$250 million more than budgeted. In sum, to make "whole" the FY 1980 program, a supplemental appropriation of at least \$2.76 billion will be required, exclusive of revised (non-fuel) inflation estimates.

Obviously, if the above fact-of-life actions are not taken for FY 1980 and FY 1981 but are absorbed at the expense of planned defense programs, operations, and readiness, the strength of the U.S. deterrent, as well as foreign perceptions of that deterrent, will be severely damaged.

In order to remove the pay cap for military personnel (\$1.2 billion) and fund other Congressional manpower initiatives, such as the Nunn-Warner bill adopted by the Senate (\$9.8 billion), additional funding of \$2.0 billion is required. This \$2.0 billion is absolutely the minimum that is essential to retain sufficient mid-level managers and to

provide for equitable treatment of armed forces personnel. The Service Secretaries and the Service Chiefs have all emphasized the criticality of manpower shortages. Manpower is, without exception, their highest priority. Thus, to fund fully the FY 1981 programs, including these manpower initiatives, will require at least \$8.4 billion.

Beyond the simple "fact-of-life" requirements of keeping the FY 1980 and FY 1981 programs intact, several other key factors, which impose demands for increased defense programs, must be examined.

1. Critical unfunded requirements exist for FY 1980 and FY 1981 to cope with near-term readiness and sustainability problems; the need for which has been accentuated by recent events in Afghanistan. These include replenishment spares, war reserve munitions, and missiles.

2. The pre-Afghanistan decisions reflected in the FY 1981 budget intended to address, to some extent, deficiencies in readiness and substantially and past underfunding in O&M accounts have, in part, been at the expense of planned modernization programs, specifically, reduced procurement of tactical aircraft.

3. The FY 1981 budget request does not adequately fund programs identified one year ago as required to carry out stated defense commitments. Specifically, the five-year shipbuilding program is short at least ten ships.

4. The FY 1981 budget request does not fund program initiatives sufficient to carry out the Administration's announced commitment to protect U.S. interests in the Persian Gulf area. Admiral Long, Commander-in-Chief of Pacific forces, has stated that at least two additional battle groups are required.

5. Finally, the FY 1981 budget does not fund initiatives to begin to increase force structure to provide the full capability required to implement national strategy, which calls for the ability to cope with "one and one-half wars". In this regard, Army force shortages represent the greatest need.

Analysis of the program shortfalls identified above leads logically to the development of incremental program budget options structured to provide the capability to meet commitments and reduce risk. Attached are a series of tables that depict the budget alternatives I request be considered by the Committee on the Budget. These tables include the economic adjustments and manpower initiatives discussed above and the respective program options described below.

Program Option 1 would provide funding to address critical readiness and sustainability requirements (1 above); to restore previously planned modernization programs (2 above); and to address unprogrammed requirements to carry out stated commitments as they existed one year ago (a portion of 3 above).

Program Option 2 would fund all of Option 1 plus the remainder of identified but unprogrammed requirements to carry out previously existing commitments (remaining portion of 3 above) and would fund a portion of the other initiatives required to execute the new Administration policy to secure U.S. interests in the Persian Gulf (4 above).

Program Option 3 would fund Option 2 plus begin to fund increases in force structure to build toward a capability to implement accepted national security strategy. Specifically, the first funding increment toward adding a seventeenth active division for the Army, another active wing for the Air Force, and another carrier battle group with associated air wing for the Navy would be provided.

A thorough assessment of the FY 1981 budget has been made and requirements to achieve the above program options identified. The program options as presented below do not include the \$8.4 billion required due to economic adjustments to make the FY 1981 budget "whole" and to fund recom-

mended manpower initiatives. Also not included in these figures presented to you are offsets for cuts to the defense budget made by the Congress during the authorization and appropriation process. However, based upon past experience, it is not expected such cuts could exceed 2.6 percent of the request from the departments.

Program Option 1 requires additional funding of \$7.15 billion for procurement, RDT&E and O&M programs, excluding any manpower, pay, or legislative initiatives.

Program Option 2 requires funding of \$13.1 billion, excluding manpower initiatives.

Program Option 3 requires funding of \$22.85 billion, excluding manpower initiatives.

The absolute minimum which can conceivably be accepted is Option 1, and even here, it must be restated, no provision would be made for supporting the President's new commitment for Persian Gulf security. Option 2 is the minimum required to provide a modest capability to support U.S. security interests in the wake of the invasion of Afghanistan and rising tension in the Persian Gulf area. Option 3 is my recommended choice and must ultimately be pursued as U.S. force posture is redefined to be consistent with U.S. national strategy.

It is noteworthy that, although not by design, approximately one-half the identified funding of each option goes toward modernization and one-half toward readiness and sustainability.

It should be pointed out that included within the national security (050) function are programs of the Department of Energy in support of the strategic mission of the Department of Defense. It appears that the national security programs of DOE are significantly underfunded. Approximately \$400 million in additional authority will be necessary to insure that important defense programs are not impaired.

Also included in function 050 is the ceiling for intelligence activities which, in my belief, require an additional \$100 million in the FY 1981 budget.

Independent of the assessment which produced the above options, the Service Chiefs recently responded to a question from Senator Jackson as to what new funding is required to address force deficiencies and the new environment created by the Soviet invasion of Afghanistan. The Service Chiefs identified program requirements of \$3.5 billion for FY 1980, exclusive of inflation and fuel cost increases. In addition, for FY 1981, the Services identified deficiencies of \$10.6 billion, again exclusive of fuel cost increases or manpower pay initiatives. These funding requirements lie between Alternatives 1 and 2. This separate analysis serves as an independent Service validation of both the requirements and the priorities. The specific program requirements, though not identical, are remarkably similar with total funding apportionment between modernization and readiness and sustainability quite similar.

In summary, these three alternatives, which I firmly believe warrant serious consideration by the Budget Committee, would embody the respective program options specified above plus the required economic adjustments and recommended manpower initiatives. The alternatives require funding of \$15.6 billion (Alternative 1), \$21.6 billion (Alternative 2), and \$31.8 billion (Alternative 3).

Secretary Brown, in citing a new consensus on the need for more military capability—reinforced by events in Iran, but now even more greatly reinforced by the Soviet invasion of Afghanistan—made the specific point that the United States may well be at a critical point in its history and that we have deferred too long the decision to remain the strongest nation in the world. The alternative is to allow ourselves to slip into inferiority and weakness where principles

unsupported by power are victimized, and we will become a nation with more of a past than a future.

Sincerely,

JOHN TOWER.

TOWER ALTERNATIVES

	Fiscal year 1981 requirement
<i>Alternative 1</i>	
Economic adjustments (fuel, inflation, no pay absorption).....	6.4
Manpower initiatives (no military pay cap, Cong. legislation).....	2.0
Program budget option 1.....	7.183
Total	15.583
<i>Alternative 2</i>	
Economic adjustments (fuel, inflation, no pay absorption).....	6.4
Manpower initiatives (no military pay cap, Cong. legislation).....	2.0
Program budget option 2 (includes program option 1).....	13.065
Total	21.465
<i>Alternative 3</i>	
Economic adjustments (fuel, inflation, no pay absorption).....	6.4
Manpower initiatives (no military pay cap, Cong. legislation).....	2.0
Program budget option 3 (includes program option 2).....	23.441
Total	31.841

KEY POINTS OF THE TOWER LETTER CONCERNING THE FY81 BUDGET REQUEST

- Major deficiencies in FY81 defense budget:
1. Strategic force modernization does not, in a timely fashion, offset the vulnerability of our land-based ICBM force.
 2. A shipbuilding program which does not allow us to attain the capability to present a credible naval presence in the Indian Ocean without seriously degrading our vital support to NATO and Asian allies.
 3. Reduced tactical aircraft procurement program which does not even provide sufficient procurement to allow a one-for-one replacement of aircraft lost through attrition and retirement, much less procure aircraft at the most economical rates of production.
 4. Inadequate program to increase retention rate of trained mid-level military personnel.

Preliminary economic adjustments needed to keep the President's FY81 request for national security programs "whole":

	Billion
CBO Inflation increment.....	\$1.8
Unfunded fuel cost growth.....	3.3
No pay absorption.....	1.3
Total FY81 economic adjustments..	6.4
FY80 economic and program adjustments:	
Unfunded fuel cost growth.....	2.5
Indian Ocean operation.....	0.3
Total FY80 economic adjustments..	2.8
Manpower adjustments for FY81:	
Remove cap (7.4) on military personnel	1.2
Nunn-Warner bill.....	0.8
Total	2.0

Total FY81 Economic and manpower adjustments: \$8.4 billion.

Program Requirements Critically Underfunded:

1. replenishment spares, war reserve munitions and missiles.
2. procurement of tactical aircraft.
3. 104-year shipbuilding program.

4. new Persian Gulf programs.
5. Army force shortages.

Three Program Alternatives:

1. Provide funding to address critical readiness and sustainability; restore previously planned modernization programs; and to address unprogrammed requirements to carry out stated commitments as they existed one year ago.
2. Alternative 1 plus additional unprogrammed requirements to carry out previously existing commitments and funding of a portion of programs to secure U.S. interests in the Persian Gulf.
3. Alternative 2 plus program initiatives to develop U.S. force capabilities to support U.S. "one and one-half wars" force planning strategy.

Budget authority	Alternative 1	Alternative 2	Alternative 3
Economic adjustment.....	6.4	6.4	6.4
Manpower adjustment.....	2.0	2.0	2.0
Program increases.....	7.15	13.1	23.44
Total.....	15.55	21.5	31.84

Approximately one-half the identified funding on each option goes toward modernization and one-half toward readiness and sustainability.

DOE military activities require additional funding of \$400 million to insure that important defense programs are not impaired.

Intelligence activities require an additional \$100 million in the FY81 defense budget.

Independent of the Tower assessment, the Service Chiefs responded to Senator Jackson regarding what new funding is required to address force deficiencies and the new security environment. The Chiefs identified additional requirements and priorities of \$10.6 billion for FY81, exclusive of fuel cost increases or manpower pay initiatives. This is essentially between Senator Tower's Alternative 1 and Alternative 2.